

WASHINGTON COUNTY HOSPITAL
A COMPONENT UNIT OF WASHINGTON COUNTY, KANSAS

FINANCIAL STATEMENTS

and

ADDITIONAL INFORMATION

with

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2016 AND 2015

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Washington County Hospital
Washington, Kansas

Report on the Financial Statements

We have audited the financial statements of Washington County Hospital (Hospital), a component unit of Washington County, Kansas, as listed in the table of contents, at and for the years ended December 31, 2016 and 2015. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express opinions on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington County Hospital as of December 31, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

George Bauman, CPA

Wichita, Kansas
August 31, 2017

WASHINGTON COUNTY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Washington County Hospital's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2016 and 2015. Please read it in conjunction with the Hospital's financial statements, which begin on page 8.

Financial Highlights

- The Hospital's net position decreased by \$33,640 or 1.03% in 2016 and increased by \$488,570 or 17.67% in 2015.
- Gross patient service revenue increased by \$1,556,424 or 24.25% in 2016 and increased by \$1,233,999 or 23.80% in 2015.
- Contractual allowances and bad debts reduced gross patient service revenue by \$2,659,213 or 33.34% of gross patient service revenue in 2016 and by \$1,586,206 or 24.71% of gross patient service revenue in 2015.
- The Hospital reported an operating loss of \$75,553 in 2016 compared to operating income of \$233,178 in 2015.
- Capital grants and contributions were \$34,586 and \$251,131 in 2016 and 2015, respectively due to contributions for the hospital facility improvement project.

Financial Statements

The Hospital's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net assets, financial position and cash flows in a manner similar to private-sector businesses. The financial statements are prepared on an accrual basis of accounting which recognizes revenue when earned and expenses when incurred. The basic financial statements include a *statement of net position*, *statement of revenue, expenses and changes in net position*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information.

The *statement of net position* presents information on the Hospital's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Hospital is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Hospital's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Hospital's cash receipts and cash payments during the year.

Financial Position

The Hospital's net position is the difference between its assets and liabilities reported in the Statements of Net Position on pages 8 and 9 as shown in the following table:

	December 31,		
	2016	2015	2014
Assets:			
Current assets	\$ 2,822,675	\$ 2,186,403	\$ 3,808,780
Capital assets, net	<u>8,212,751</u>	<u>8,829,828</u>	<u>6,657,090</u>
Total assets	<u>\$ 11,035,426</u>	<u>\$ 11,016,231</u>	<u>\$ 10,465,870</u>
Liabilities:			
Long-term liabilities	\$ 6,780,527	\$ 6,997,802	\$ 7,023,886
Current liabilities	<u>1,034,873</u>	<u>764,763</u>	<u>676,888</u>
Total liabilities	<u>\$ 7,815,400</u>	<u>\$ 7,762,565</u>	<u>\$ 7,700,774</u>
Net position:			
Net investment in capital assets	\$ 1,173,407	\$ 1,602,031	\$ 1,667,062
Restricted	173,127	152,264	68,338
Unrestricted	<u>1,873,492</u>	<u>1,499,371</u>	<u>1,029,696</u>
Total net position	<u>\$ 3,220,026</u>	<u>\$ 3,253,666</u>	<u>\$ 2,765,096</u>

There have been significant changes in assets, liabilities and net position over the period from 2013 through 2016 due primarily to the commencement in 2013 of a major renovation and improvement project for the facility. The project was essentially completed in 2015. As discussed in Notes 6 and 9, the project was financed primarily through a capital lease with the Washington County Public Building Commission for \$7,000,000.

Recent Financial Performance

The schedule below is a summary of the Hospital's revenues, expenses and changes in net position for the past three years.

	Year ended December 31,		
	2016	2015	2014
Operating revenue	<u>\$ 5,324,792</u>	<u>\$ 4,849,259</u>	<u>\$ 4,299,839</u>
Operating expenses:			
Salaries	2,278,829	1,628,772	1,591,514
Employee benefits	348,663	329,106	382,979
Supplies and other	2,090,056	2,024,953	2,033,433
Depreciation and amortization	<u>682,797</u>	<u>633,250</u>	<u>241,213</u>
Total operating expenses	<u>5,400,345</u>	<u>4,616,081</u>	<u>4,249,139</u>

	Year ended December 31,		
	2016	2015	2014
Operating income (loss)	\$ (75,553)	\$ 233,178	\$ 50,700
Nonoperating revenues (expenses):			
Taxes	260,000	210,000	210,000
Investment income	788	1,970	1,505
Interest expense	(315,760)	(278,806)	(50,048)
Non-capital grants and contributions	41,626	57,856	45,934
Other, net	<u>20,673</u>	<u>13,241</u>	<u>13,030</u>
Total net nonoperating revenues (expenses)	<u>7,327</u>	<u>4,261</u>	<u>220,421</u>
Capital grants and contributions	<u>34,586</u>	<u>251,131</u>	<u>205,292</u>
Increase (decrease) in net position	<u>\$ (68,226)</u>	<u>\$ 488,570</u>	<u>\$ 476,413</u>
Net position at end of year	<u>\$ 3,220,026</u>	<u>\$ 3,253,666</u>	<u>\$ 2,765,096</u>

Overall, operating revenues increased 10% from 2015 to 2016 and increased 13% from 2014 to 2015.

- Net patient service revenue increased 10.00% from 2015 to 2016 and increased 16.12% from 2014 to 2015.
- Contractual adjustments and bad debts deducted from gross patient service revenue increased from 24.71% to 33.34% from 2015 to 2016 and decreased from 19.73% to 24.71% from 2014 to 2015.
- Other operating revenues decreased significantly from 2014 to 2015 due to reimbursements under the electronic health record incentive program of approximately \$116,000 received in 2014.

Overall, operating expenses increased 16.99% in 2016 as compared to an increase of 8.64% in 2015.

- Salaries, wages, and employee benefits increased in 2016 by approximately 34.20% and decreased approximately 0.84% in 2015. The change 2016 was due primarily to the initial employment of two physicians and their staff.
- Depreciation expense increased significantly from 2014 to 2015 primarily due to the significant additions to property and equipment as the hospital facility improvement project was substantially completed in 2015.
- Interest expense increased significantly from 2014 to 2015 primarily related to the financing of the hospital facility improvement project mentioned previously.

Nonoperating revenues/expenses consist primarily of property taxes levied by the County, investment earnings, interest expense, and grants and contributions.

Significant capital grants and contributions in 2015 and 2014 were due to substantial contributions from various sources to be used for the hospital facility improvement project (Note 9).

Patient Volumes

Patient day volume statistics are summarized in the following table:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Inpatient acute days	504	387	308
Observation bed days	<u>203</u>	<u>128</u>	<u>115</u>
	<u>707</u>	<u>515</u>	<u>423</u>
Percent change	<u>37.28%</u>	<u>21.75%</u>	<u>(4.51)%</u>
Skilled swing bed days	<u>305</u>	<u>343</u>	<u>316</u>
Percent change	<u>(11.08)%</u>	<u>8.54%</u>	<u>(49.76)%</u>
Intermediate swing bed days	<u>968</u>	<u>1,536</u>	<u>1,527</u>
Percent change	<u>(36.98)%</u>	<u>0.59%</u>	<u>(7.68)%</u>

Capital Assets

At the end of 2016, the Hospital had \$8,212,751 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The Hospital acquired additional capital assets costing approximately \$65,000, \$2,940,000, and \$5,513,000 in 2016, 2015 and 2014, respectively. The significant increases in 2015 and 2014 were primarily related to the hospital facility improvement project.

Debt

As discussed in Note 6 to the financial statements, the Hospital has acquired assets under capital lease agreements, including new equipment leases of \$38,855 in 2016 and \$383,196 in 2015.

The Hospital has an outstanding capitalized lease that was entered into to finance the hospital facility improvement project. The initial principal amount financed under this lease was \$7,000,000 with \$150,000 and \$145,000 being repaid in 2016 and 2015, respectively. The remaining lease payments on the improvement project are to be paid through the year 2042.

Other Economic Factors

Management expects the current economic conditions to continue over the next year. However, management expects a modest increase in service volumes primarily due to the attraction of the significantly improved facility and the addition of another physician practice in the community.

Issues Facing the Hospital

There are issues facing the Hospital that could result in material changes in its financial position in the long term. Among these issues are:

- **Risks related to Medicare and Medicaid reimbursement.** A significant portion of the Hospital's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.

- Healthcare reform. In 2010, the federal government enacted sweeping new legislation that is significantly impacting virtually all aspects of the healthcare delivery and insurance systems in the country. While certain portions of the legislation have been implemented in the succeeding years, significant portions have not yet become effective or enforced and much of the detailed implementing regulations have not yet been issued. As such, any specific effects on operations of the Hospital over the long-term are currently undeterminable. Management continues to closely monitor the progression of the implementation of the legislation.
- Employment and labor issues. The Hospital is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees, is an issue that is causing salary and benefits costs to increase at significant rates.
- Technology and services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.
- Increasing numbers of uninsured and underinsured patients. Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital are finding it more and more difficult to obtain or maintain adequate health insurance coverage. This trend could increase the levels of uncompensated care provided by the Hospital.

Contacting The Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Administration Department, at Washington County Hospital, 304 E. Third, Washington, Kansas 66968.

WASHINGTON COUNTY HOSPITAL

STATEMENTS OF NET POSITION

ASSETS

	December 31,	
	2016	2015
Current assets:		
Cash (Notes 1, 3 and 7)	\$ 1,172,671	\$ 483,828
Assets limited as to use (Notes 3 and 7)	173,127	152,264
Accounts receivable, net of allowance for doubtful accounts of \$471,724 in 2016 and \$449,722 in 2015	1,105,461	1,203,202
Inventories (Note 1)	278,280	277,377
Other	93,136	69,732
Total current assets	<u>2,822,675</u>	<u>2,186,403</u>
Property and equipment, at cost (Notes 1 and 5):		
Land and land improvements	38,524	38,524
Building and fixed equipment	9,462,772	9,462,772
Movable equipment	2,741,625	2,675,905
Projects in progress	62,942	62,942
	12,305,863	12,240,143
Less accumulated depreciation	<u>4,093,112</u>	<u>3,410,315</u>
Property and equipment net of accumulated depreciation	<u>8,212,751</u>	<u>8,829,828</u>
Total assets	<u>\$ 11,035,426</u>	<u>\$ 11,016,231</u>

The accompanying notes are an integral
part of the financial statements.

LIABILITIES AND NET POSITION

	December 31,	
	2016	2015
Current liabilities:		
Accounts payable	\$ 165,632	\$ 144,761
Salaries and wages payable	45,083	27,591
Compensated absences payable (Notes 1 and 6)	62,198	80,284
Payroll taxes payable	2,241	2,062
Interest payable	126,458	128,333
Estimated third-party payer settlements (Note 2)	372,123	148,850
Current portion of capitalized lease obligations (Notes 1, 6 and 9)	<u>261,138</u>	<u>232,882</u>
Total current liabilities	<u>1,034,873</u>	<u>764,763</u>
Long-term liabilities:		
Capitalized lease obligations (Notes 1, 6 and 9)	6,778,202	6,994,915
Compensated absences payable (Notes 1 and 6)	<u>2,325</u>	<u>2,887</u>
Total long-term liabilities	<u>6,780,527</u>	<u>6,997,802</u>
Total liabilities	<u>7,815,400</u>	<u>7,762,565</u>
Net position (Notes 1 and 8):		
Net investment in capital assets	1,173,407	1,602,031
Restricted:		
Expendable for capital asset acquisitions	173,127	152,264
Unrestricted	<u>1,873,492</u>	<u>1,499,371</u>
Total net position	<u>3,220,026</u>	<u>3,253,666</u>
Total liabilities and net position	<u>\$ 11,035,426</u>	<u>\$ 11,016,231</u>

WASHINGTON COUNTY HOSPITAL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenues:		
Net patient service revenue (Note 1)	\$ 5,316,627	\$ 4,833,210
Other	<u>8,165</u>	<u>16,049</u>
Total operating revenues	<u>5,324,792</u>	<u>4,849,259</u>
Operating expenses:		
Salaries	2,278,829	1,628,772
Employee benefits	348,663	329,106
Supplies and other	2,090,056	2,024,953
Depreciation (Note 1)	<u>682,797</u>	<u>633,250</u>
Total operating expenses	<u>5,400,345</u>	<u>4,616,081</u>
Operating income (loss)	<u>(75,553)</u>	<u>233,178</u>
Nonoperating revenues (expenses):		
Taxes	260,000	210,000
Investment income	788	1,970
Interest expense	(315,760)	(278,806)
Noncapital grants and contributions	41,626	57,856
Other	<u>20,673</u>	<u>13,241</u>
Total nonoperating revenues	<u>7,327</u>	<u>4,261</u>
Revenues over expenses before capital grants and contributions	(68,226)	237,439
Capital grants and contributions	<u>34,586</u>	<u>251,131</u>
Increase (decrease) in net position	(33,640)	488,570
Net position at beginning of year	<u>3,253,666</u>	<u>2,765,096</u>
Net position at end of year	<u><u>\$ 3,220,026</u></u>	<u><u>\$ 3,253,666</u></u>

The accompanying notes are an integral
part of the financial statements.

WASHINGTON COUNTY HOSPITAL

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2016	2015
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 5,637,641	\$ 4,480,687
Payments to suppliers and contractors	(2,093,492)	(2,044,294)
Payments to employees	(2,279,985)	(1,617,417)
Payments for employee benefits	(348,484)	(330,067)
Other receipts and payments, net	8,165	16,049
Net cash flows provided by operating activities	923,845	504,958
Cash flows from noncapital financing activities:		
Property taxes for operations	260,000	210,000
Grants and contributions	41,626	7,845
Other	20,673	57,856
Net cash flows provided by noncapital financing activities	322,299	275,701
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(18,076)	(53,370)
Contributions for capital assets	4,934	23,768
Transfers to funds held by PBC for improvement project	—	(457,903)
Principal payments on capitalized lease obligations	(227,312)	(186,740)
Interest payments on capitalized lease obligations	(317,635)	(12,178)
Net cash flows used by capital and related financing activities	(558,089)	(686,423)
Cash flows provided by investing activities – Investment income	788	1,970
Net increase in cash and cash equivalents	688,843	96,206
Cash and cash equivalents at beginning of year	483,828	387,622
Cash and cash equivalents at end of year	\$ 1,172,671	\$ 483,828

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (75,553)	\$ 233,178
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization	682,797	633,250
Provision for doubtful accounts	121,725	116,442
Other		10,000
Net (increases) decreases in current assets:		
Accounts receivable	(23,984)	(607,436)
Inventories	(903)	(10,604)
Other	(23,404)	(11,999)
Net increases (decreases) in current liabilities:		
Accounts payable	20,871	(6,738)
Salaries and wages payable	17,492	10,818
Compensated absences payable	(18,648)	537
Payroll taxes payable	179	(961)
Estimated third-party payer settlements	<u>223,273</u>	<u>138,471</u>
Net cash provided by operating activities	<u>\$ 923,845</u>	<u>\$ 504,958</u>

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and reporting entity

Washington County Hospital (Hospital) is owned by Washington County, Kansas and provides acute inpatient, outpatient and swing bed care. The Board of County Commissioners appoints the members of the Board of Trustees and provides tax levy support to the Hospital. For these reasons, the Hospital is considered to be a component unit of Washington County, Kansas.

Basis of accounting and presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Property taxes, investment income, interest on capital asset-related debt are included in nonoperating revenues and expenses.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating revenues and expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Patient accounts receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, payer mix trends, and existing economic conditions. As a service to patients, the Hospital bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are generally due in full when billed. If the patient is unable to pay the full amount at the time the patient is billed, the Hospital negotiates a payment plan whereby monthly payments are made by the patient on the account. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. If future actual default rates on accounts receivable differ from those currently anticipated, the Hospital may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Capital assets

The Hospital's capital assets that are \$5,000 or greater, are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following estimated useful lives:

Land improvements	4 years
Buildings.....	10-40 years
Equipment.....	5-20 years

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. When depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected as non-operating revenue (expense).

Net patient service revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Grants and contributions

From time to time, the Hospital receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Net position

Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted – expendable for capital asset acquisitions* are net assets that must be used for the acquisition of capital assets, as specified by grantors, contributors, creditors, or debt agreements. *Unrestricted net position* are remaining assets less remaining liabilities that do not meet the definition of *net investment in capital assets*.

Compensated absences

Employees of the Hospital are entitled to paid vacation depending on length of service and whether they are full or part time. Upon resignation, termination or retirement from service with the Hospital, employees are entitled to payment for all accrued vacation, up to the allowable maximum. The Hospital accrues vacation benefits as earned.

Cash and cash equivalents

Cash and cash equivalents include cash, certificates of deposit, money market and interest bearing checking accounts with maturities of three months or less, excluding those cash and investment accounts related to the facility improvement project (Notes 7 and 9).

Taxation

The Hospital is a component unit of Washington County, a political subdivision of the State of Kansas and as such, is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

Risk management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

The Hospital pays fixed premiums for annual medical malpractice coverage under an occurrence-basis policy. The Hospital accrues the expenses of its share of malpractice claim costs, if any, of reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Based on the Hospital's own claims experience, no accrual, for medical malpractice costs has been made in the accompanying financial statements.

Deferred inflows of resources/Deferred outflows of resources

A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. There were no items that met the definition of either a deferred inflow or outflow of resources in 2016 or 2015.

Subsequent events

Subsequent events have been evaluated through August 31, 2017, which is the date the financial statements were available to be issued.

2. ESTIMATED THIRD-PARTY PAYER SETTLEMENTS

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

- **Medicare** – The Hospital is recognized as a Critical Access Hospital (CAH) under the Medicare program. As such, inpatient acute care, skilled swing-bed and certain outpatient services rendered to program beneficiaries are paid at 101% of allowable cost subject to certain limitations. Certain other outpatient services are paid based on fee schedules. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and reviews thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2014. Beginning in 2013, a mandatory payment reduction, known as sequestration, of 2% of program cost went into effect. Under current legislation, sequestration is scheduled to last until 2023.
- **Medicaid** – Inpatient and outpatient services rendered to program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage that is based on previously filed cost reports.

Approximately 53% of net patient service revenue is from participation in the Medicare program in each of the years ended December 31, 2016 and 2015. Laws and regulations governing the Medicare program are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other third-party payer programs. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

3. CASH AND INVESTED CASH

Cash and invested cash consisted of the following:

	December 31,	
	2016	2015
Cash and cash equivalents:		
Cash on hand.....	\$ 407	\$ 107
Interest bearing checking accounts.....	286,850	243,173
Certificates of deposit	<u>885,414</u>	<u>240,548</u>
	1,172,671	483,828
Assets whose use is limited (Note 7):		
Checking account (Improvement Project)	<u>173,127</u>	<u>152,264</u>
Totals	<u>\$ 1,345,798</u>	<u>\$ 636,092</u>

Deposits

The Hospital's policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities. Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital's deposits may not be returned to the Hospital or the Hospital will be unable to recover the collateral securities in the possession of an outside party.

3. CASH AND INVESTED CASH (continued)

At December 31, 2016, the carrying amount of the Hospital's deposits, which approximates fair value, was \$1,345,391 with the bank balances of such accounts being \$1,348,949. Of the bank balances, \$273,574 was secured by federal depository insurance and the remaining balance of \$1,075,375 was covered by collateral held by the Hospital's custodial banks in joint custody in the name of the Hospital and its banks. The fair value of those pledged securities held by the Hospital's custodial banks was \$1,742,215 at December 31, 2016.

The remaining carrying amount of the Hospital's cash and investments at December 31, 2016 consisted of cash on hand of \$407.

Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital's investing activities are managed under the custody of the Hospital Chief Executive Officer. Investing is performed in accordance with investment policies adopted by the Board of Trustees and in compliance with State statutes.

Applicable state statutes authorize the Hospital to invest in (1) temporary notes or no-fund warrants issued by the Hospital; (2) savings deposits, time deposits, open accounts, certificates of deposit, or time certificates of deposit with maturities of not more than two years, in commercial banks, savings and loan associations, and savings banks; (3) repurchase agreements with commercial banks, savings and loan associations, and savings banks for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof; (4) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (5) the municipal investment pool maintained by the State Treasurer's office.

4. CONCENTRATIONS OF CREDIT RISK

The Hospital is a provider of health care services and is located in the City of Washington, Kansas. The Hospital grants credit without collateral to its patients, most of whom are local area residents and some are insured under third-party payer agreements. The mix of receivables from patients and third-party payers is as follows:

	December 31,	
	2016	2015
Medicare	\$ 584,889	\$ 531,170
Medicaid	106,250	5,326
Commercial	699,235	503,709
Other	<u>186,811</u>	<u>612,719</u>
Gross accounts receivable	1,577,185	1,652,924
Less allowance for doubtful accounts	<u>471,724</u>	<u>449,722</u>
	<u>\$ 1,105,461</u>	<u>\$ 1,203,202</u>

5. CAPITAL ASSETS

Capital asset additions, disposals, and balances for the years ended December 31, 2016 and 2015 were as follows:

5. CAPITAL ASSETS (continued)

	Balance At December 31, 2015	Additions	Disposals	Transfers	Balance At December 31, 2016
Capital assets not being depreciated:					
Land	\$ 24,636	\$ —	\$ —	\$ —	\$ 24,636
Projects in progress	<u>62,942</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>62,942</u>
Total capital assets not being depreciated:	<u>87,578</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>87,578</u>
Capital assets being depreciated:					
Land improvements	13,888	—	—	—	13,888
Building and fixed equipment	9,462,772	—	—	—	9,462,772
Movable equipment	<u>2,675,905</u>	<u>65,720</u>	<u>—</u>	<u>—</u>	<u>2,741,625</u>
Total capital assets being depreciated	<u>12,152,565</u>	<u>65,720</u>	<u>—</u>	<u>—</u>	<u>12,218,285</u>
Less accumulated depreciation for:					
Land improvements	13,824	36	—	—	13,860
Building and fixed equipment	1,316,328	543,251	—	—	1,859,579
Movable equipment	<u>2,080,163</u>	<u>139,510</u>	<u>—</u>	<u>—</u>	<u>2,219,673</u>
Total accumulated depreciation	<u>3,410,315</u>	<u>682,797</u>	<u>—</u>	<u>—</u>	<u>4,093,112</u>
Total capital assets being depreciated, net	<u>8,742,250</u>	<u>682,797</u>	<u>—</u>	<u>—</u>	<u>9,425,047</u>
Total capital assets, net	<u>\$ 8,829,828</u>	<u>\$ (617,077)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,212,751</u>
	Balance At December 31, 2014	Additions	Disposals	Transfers	Balance At December 31, 2015
Capital assets not being depreciated:					
Land	\$ 24,636	\$ —	\$ —	\$ —	\$ 24,636
Projects in progress	<u>3,189,786</u>	<u>2,503,645</u>	<u>(10,000)</u>	<u>(5,620,489)</u>	<u>62,942</u>
Total capital assets not being depreciated:	<u>3,214,422</u>	<u>2,503,645</u>	<u>(10,000)</u>	<u>(5,620,489)</u>	<u>87,578</u>

5. CAPITAL ASSETS (continued)

	Balance At December 31, 2014	Additions	Disposals	Transfers	Balance At December 31, 2015
Capital assets being depreciated:					
Land					
improvements	\$ 45,887	\$ —	\$ (31,999)	\$ —	\$ 13,888
Building and fixed equipment	4,018,012	33,801	(141,465)	5,552,424	9,462,772
Movable equipment	<u>3,071,355</u>	<u>402,940</u>	<u>(866,455)</u>	<u>68,065</u>	<u>2,675,905</u>
Total capital assets being depreciated	<u>7,135,254</u>	<u>436,741</u>	<u>(1,039,919)</u>	<u>5,620,489</u>	<u>12,152,565</u>
Less accumulated depreciation for:					
Land					
improvements	45,651	172	(31,999)	—	13,824
Building and fixed equipment	990,690	467,103	(141,465)	—	1,316,328
Movable equipment	<u>2,656,245</u>	<u>165,975</u>	<u>(742,057)</u>	<u>—</u>	<u>2,080,163</u>
Total accumulated depreciation	<u>3,692,586</u>	<u>633,250</u>	<u>(915,521)</u>	<u>—</u>	<u>3,410,315</u>
Total capital assets being depreciated, net	<u>3,442,668</u>	<u>(196,509)</u>	<u>(124,398)</u>	<u>5,620,489</u>	<u>8,742,250</u>
Total capital assets, net	<u>\$ 6,657,090</u>	<u>\$ 2,307,136</u>	<u>\$ (134,398)</u>	<u>\$ —</u>	<u>\$ 8,829,828</u>

6. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES

The following is a summary of changes in long-term debt and other noncurrent liabilities for the years ended December 31, 2016 and 2015:

	Balance At December 31, 2015	Additions	Reductions	Balance At December 31, 2016	Amounts Due Within One Year
Capital lease obligations	\$ 7,227,797	\$ 38,855	\$ 227,312	\$ 7,039,340	\$ 261,138
Compensated absences payable	<u>83,171</u>	<u>58,855</u>	<u>77,503</u>	<u>64,523</u>	<u>62,198</u>
Total long-term liabilities	<u>\$ 7,310,968</u>	<u>\$ 97,710</u>	<u>\$ 304,815</u>	<u>\$ 7,103,863</u>	<u>\$ 323,336</u>

6. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES (continued)

	Balance At December 31, 2014	Additions	Reductions	Balance At December 31, 2015	Amounts Due Within One Year
Capital lease obligations	\$ 7,306,134	\$ 383,196	\$ 461,533	\$ 7,227,797	\$ 232,882
Compensated absences payable	<u>82,634</u>	<u>71,103</u>	<u>70,566</u>	<u>83,171</u>	<u>80,284</u>
Total long-term liabilities	<u>\$ 7,388,768</u>	<u>\$ 454,299</u>	<u>\$ 532,099</u>	<u>\$ 7,310,968</u>	<u>\$ 313,166</u>

The Hospital leases certain assets under capital lease agreements, including new equipment leases of \$38,855 and \$383,196 in 2016 and 2015, respectively. Interest expense incurred on the leases and the interest expense portion capitalized as part of the hospital improvement project were as follows:

	December 31,	
	2016	2015
Hospital improvement project interest expense incurred....	\$ 306,125	\$ 310,537
Less interest expense capitalized	<u>—</u>	<u>43,723</u>
	306,125	266,814
Equipment leases interest expense incurred	<u>9,635</u>	<u>11,992</u>
Total interest expense	<u>\$ 315,760</u>	<u>\$ 278,806</u>

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of lease inception. The following is an analysis of the financial presentation of the capital leases:

	December 31,	
	2016	2015
Buildings and fixed equipment	\$ 7,000,000	\$ 7,000,000
Movable equipment	508,583	469,728
Projects in progress	—	—
Accumulated depreciation	<u>(999,567)</u>	<u>(477,427)</u>
Net property and equipment	<u>\$ 6,509,016</u>	<u>\$ 6,992,301</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

Year ending December 31,	
2017.....	\$ 572,537
2018.....	571,350
2019.....	552,962
2020.....	475,872
2021.....	459,006
2022.....	454,800
2023.....	454,550
2024.....	457,350
2025.....	454,750
2026.....	456,950

6. LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES (continued)

2027	\$ 458,800
2028	455,200
2029	456,400
2030	454,900
2031	462,900
2032	459,900
2033	451,400
2034	452,650
2035	458,150
2036	457,650
2037	456,400
2038	454,400
2039	456,650
2040	457,900
2041	458,150
2042	<u>457,400</u>
Total minimum lease payments	12,218,977
Less executor costs	16,400
Less amount representing interest	<u>5,163,237</u>
Present value of net minimum lease payments	7,039,340
Less current portion	<u>261,138</u>
Long-term portion	<u>\$ 6,778,202</u>

7. ASSETS WHOSE USE IS LIMITED

The assets whose use is limited consists of checking account (Note 3) for contributions received, net of related expenses, and is restricted for the improvement project and equipment (Note 9).

8. RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of assets whose use by the Hospital has been limited by donors to specific purposes and is available for the following:

	December 31,	
	2016	2015
Held in assets whose use is limited:		
Facility improvement project and equipment	<u>\$ 173,127</u>	<u>\$ 152,264</u>

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes for the following:

	December 31,	
	2016	2015
SHIP programs	\$ 8,580	\$ 5,860
Emergency preparedness	—	2,400
Rural health program grant	15,366	—
Healthcare collaborative grant	2,500	—
Capital asset acquisitions	<u>13,723</u>	<u>167,205</u>
Total	<u>\$ 40,169</u>	<u>\$ 175,465</u>

9. HOSPITAL FACILITY IMPROVEMENT PROJECT

In March 2013, Washington County, Kansas (County) entered into a lease agreement (Base Lease) with the Washington County Public Building Commission (PBC) to lease the existing land and Hospital facility to the PBC in consideration of the PBC issuing \$7,000,000 in revenue bonds to finance the acquisition of the Hospital facility and to make improvements thereof. In conjunction with the Base Lease, the PBC and County entered into another lease agreement (Hospital Lease) under which the County will provide rental payments to the PBC sufficient to pay the principal and interest on the revenue bonds.

Pursuant to the lease agreements discussed above, the Hospital Board, the County, and the PBC entered into a Pledge of Revenues and Operating Agreement. Under the agreement, the Hospital Board is charged with the management, control, and operation of the Hospital. In addition, the Hospital Board has pledged the Hospital revenues to the County as security for the rental payments to the PBC under the Hospital Lease agreement.

The Hospital Lease and the Pledge of Revenues and Operating Agreement requires the Hospital to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the next principal, interest, and processing fees due for the PBC revenue bonds on the appropriate due dates. If insufficient Hospital funds are available to make such payments, the deficiency will be transferred to the County. The County has the right to deduct the amount of any such deficiency from ad valorem property tax appropriations otherwise payable to the Hospital. In determining whether the Hospital has funds lawfully available to make the required payments, the Hospital has the right to maintain a funded depreciation account in an amount it deems sufficient to maintain efficient Hospital operations based on then current requirements.

The Pledge of Revenues and Operating Agreement also includes certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, insurance coverage, efficient and economical operation, and the level of fees and rates charged. The covenant regarding the level of fees and rates charged requires fees and rates for services be set at levels to produce revenues sufficient to: (a) pay the debt service requirements on the PBC revenue bonds when they become due; (b) pay the expenses of the Hospital; (c) enable the Hospital to have in each fiscal year a debt service coverage ratio of not less than 125 percent of the current year debt service on the PBC revenue bonds outstanding and 100 percent of other outstanding lien obligations. At December 31, 2016, the Hospital was in compliance with the rate covenants relating to the debt service requirements.

10. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Hospital is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital would be subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. The Hospital provides no other post-employment benefits, other than a retirement plan, for former employees. It is management's opinion that the effect on the Hospital's financial statements is not significant.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage.

11. RETIREMENT PLAN

The Hospital maintains a defined contribution simple IRA retirement plan. Employees who have received at least \$5,000 in compensation during the preceding calendar year are eligible to participate. Participants can annually contribute up to \$12,500 if under age 50 and up to \$15,500 if age 50 or older. The Hospital matches each employee's contribution up to 3% of an employee's compensation. The total expense under the plan was \$18,802 and \$23,053 for 2016 and 2015, respectively.

12. CONTINGENCIES

The Hospital provides for annual medical malpractice coverage under a claims-made policy. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides additional claims-made coverage for each medical incident. No claims have been asserted through the date of the financial statements and based on the Hospital's own claims experience, no accrual, for medical malpractice costs has been made in the accompanying financial statements. It is reasonably possible that this estimate could change materially in the near term.

ADDITIONAL INFORMATION

WASHINGTON COUNTY HOSPITAL
SCHEDULE OF PATIENT SERVICE REVENUE

Year ended December 31,						
2016			2015			
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Routine service	\$ 430,985	\$ 192,552	\$ 623,537	\$ 301,474	\$ 122,520	\$ 423,994
Swing beds	286,321	–	286,321	391,853	–	391,853
Nursery	20,150	–	20,150	18,177	–	18,177
Operating room	137,222	720,958	858,180	118,146	509,352	627,498
Delivery room	25,100	–	25,100	26,887	–	26,887
Anesthesiology	26,325	111,670	137,995	24,050	91,396	115,446
Radiology	197,474	1,894,513	2,091,987	180,086	1,725,944	1,906,030
Laboratory	176,131	740,294	916,425	172,956	716,274	889,230
Physical therapy	28,046	762,695	790,741	15,640	614,545	630,185
Occupational therapy	–	3,395	3,395	267	3,834	4,101
Speech therapy	148	–	148	–	1,906	1,906
Electrocardiology	2,838	153,538	156,376	3,153	61,543	64,696
Medical supplies	159,667	184,993	344,660	188,674	192,860	381,534
Pharmacy	179,711	330,046	509,757	191,975	382,701	574,676
Cardiac rehabilitation	–	48,395	48,395	–	41,580	41,580
Emergency room	1,541	280,993	282,534	4,594	261,398	265,992
Clinic	30,312	849,827	880,139	14,209	41,422	55,631
Gross patient service revenue	\$ <u>1,701,971</u>	\$ <u>6,273,869</u>	7,975,840	<u>1,652,141</u>	\$ <u>4,767,275</u>	6,419,416
Contractual adjustments			(2,537,488)			(1,469,764)
Bad debts			<u>(121,725)</u>			<u>(116,442)</u>
Net patient service revenue			\$ <u>5,316,627</u>			\$ <u>4,833,210</u>

WASHINGTON COUNTY HOSPITAL

SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL DIVISION

Department	Year ended December 31, 2016				Percent of total operating expenses
	Salaries	Supplies and other	Depreciation	Total	
Routine service:					
Adult and pediatrics	\$ 607,064	\$ 32,298	\$ 16,797	\$ 656,159	12.16 %
Nursery	2,718	1,030	1,695	5,443	0.10
	<u>609,782</u>	<u>33,328</u>	<u>18,492</u>	<u>661,602</u>	<u>12.26</u>
Ancillary services:					
Operating room	46,635	31,103	22,622	100,360	1.86
Delivery room	2,614	(4)	2,429	5,039	0.09
Anesthesiology	—	126,660	—	126,660	2.35
Radiology	128,592	150,583	81,226	360,401	6.67
Laboratory	129,330	153,310	6,499	289,139	5.35
Physical therapy	—	402,591	—	402,591	7.45
Occupational therapy	—	4,622	—	4,622	0.09
Speech therapy	—	1,781	—	1,781	0.03
Electrocardiology	4,239	274	119	4,632	0.09
Medical supplies	1,103	142,618	—	143,721	2.66
Pharmacy	—	294,725	—	294,725	5.46
Cardiac rehabilitation	22	124	—	146	0.00
Emergency room	247,045	25,116	1,113	273,274	5.06
Clinic	608,208	56,646	—	664,854	12.31
	<u>1,167,788</u>	<u>1,390,149</u>	<u>114,008</u>	<u>2,671,945</u>	<u>49.47</u>
General services:					
Nursing administration	44,609	411	—	45,020	0.83
Operation of plant	63,973	139,854	2,563	206,390	3.82
Laundry	23,683	11,577	1,065	36,325	0.67
Housekeeping	46,263	2,436	—	48,699	0.90
Dietary	74,785	52,047	85	126,917	2.35
Medical records	129,936	41,126	1,192	172,254	3.19
Administration and general	118,010	419,128	2,105	539,243	9.99
Employee benefits	—	348,663	—	348,663	6.46
Depreciation - building	—	—	543,287	543,287	10.06
	<u>501,259</u>	<u>1,015,242</u>	<u>550,297</u>	<u>2,066,798</u>	<u>38.27</u>
	<u>\$ 2,278,829</u>	<u>\$ 2,438,719</u>	<u>\$ 682,797</u>	<u>\$ 5,400,345</u>	<u>100.00 %</u>

Year ended December 31, 2015					
Department	Salaries	Supplies and other	Depreciation	Total	Percent of total operating expenses
Routine service:					
Adult and pediatrics	\$ 613,438	\$ 10,067	\$ 19,767	\$ 643,272	13.95 %
Nursery	1,641	97	1,690	3,428	0.07
	<u>615,079</u>	<u>10,164</u>	<u>21,457</u>	<u>646,700</u>	<u>14.02</u>
Ancillary services:					
Operating room	11,873	34,639	23,303	69,815	1.51
Delivery room	1,844	8	2,310	4,162	0.09
Anesthesiology	—	108,140	—	108,140	2.34
Radiology	115,984	144,080	78,448	338,512	7.33
Laboratory	127,409	148,434	6,481	282,324	6.12
Physical therapy	—	323,955	—	323,955	7.02
Occupational therapy	—	4,929	—	4,929	0.11
Speech therapy	—	1,388	—	1,388	0.03
Electrocardiology	4,342	395	—	4,737	0.10
Medical supplies	3,431	147,263	—	150,694	3.26
Pharmacy	—	225,076	—	225,076	4.88
Cardiac rehabilitation	—	—	—	—	—
Emergency room	60,800	246,462	1,110	308,372	6.68
Clinic	92,414	11,436	—	103,850	2.25
	<u>418,097</u>	<u>1,396,205</u>	<u>111,652</u>	<u>1,925,954</u>	<u>41.72</u>
General services:					
Nursing administration	95,478	132	—	95,610	2.07
Operation of plant	67,336	142,550	2,065	211,951	4.59
Laundry	24,334	1,158	532	26,024	0.56
Housekeeping	44,349	660	—	45,009	0.98
Dietary	78,343	54,471	311	133,125	2.88
Medical records	169,479	42,548	27,621	239,648	5.19
Administration and general	116,277	377,065	2,337	495,679	10.74
Employee benefits	—	329,106	—	329,106	7.13
Depreciation - building	—	—	467,275	467,275	10.12
	<u>595,596</u>	<u>947,690</u>	<u>500,141</u>	<u>2,043,427</u>	<u>44.26</u>
	<u>\$ 1,628,772</u>	<u>\$ 2,354,059</u>	<u>\$ 633,250</u>	<u>\$ 4,616,081</u>	<u>100.00 %</u>